

BEFORE THE STATE BOARD OF EQUALIZATION  
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of        }  
CONSOLIDATED COPPERSTATE LINES    }

For Appellant:     John C. Allen, Attorney at Law

For Respondent:    Burl D. Lack, Chief Counsel;  
                      Wilbur F. Lavelle, Associate Tax Counsel

O P I N I O N

This appeal is made pursuant to Section 25667 of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protests of Consolidated Copperstate Lines against proposed assessments of additional franchise tax in the amounts of \$1,288.46 and \$1,792.36 for the income years 1952 and 1953, respectively.

The question presented is whether bonuses paid to Appellant's officers, in addition to their salaries, for the years 1952 and 1953 should be allowed as deductions under Section 24121a (now Section 24343) of the Revenue and Taxation Code. . That provision allows the deduction of ordinary and necessary business expenses "including a reasonable allowance for salaries or other compensation for personal services actually rendered...."

A tabulation of the compensation paid to Appellant's officers shows:

	<u>Year 1952</u>			
	<u>H. W. Steele Pres.</u>	<u>C. G. Allen V. Pres.</u>	<u>W. B. Allen Sec.-Treas.</u>	<u>W. M. Meade Gen. Mgr.</u>
Salary	\$ 18,000	\$ 18,000	\$ 18,000	\$ 27,000
Bonus	<u>24,560</u>	<u>13,360</u>	<u>13,360</u>	<u>0</u>
Total	\$ <u>42,560</u>	\$ <u>31,360</u>	\$ <u>31,360</u>	\$ <u>27,000</u>
	<u>Year 1953</u>			
Salary	\$ 18,000	\$ 18,000	\$ 18,000	\$ 27,000
Bonus	<u>43,750</u>	<u>15,000</u>	<u>15,000</u>	<u>0</u>
Total	\$ <u>61,750</u>	\$ <u>33,000</u>	\$ <u>33,000</u>	\$ <u>27,000</u>

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The Franchise Tax Board allowed Appellant a deduction for the full amount of officers' salaries but disallowed the deduction of bonuses paid to H. W. Steele, C. G. Allen and W. B. Allen.

This identical issue was decided by us in the Appeal of Consolidated Copperstate Lines, Cal. St. Bd. of Equal., Sept 13, 1960, 3 CCH Cal. Tax Cas. Par. 201-627, 2P-H State & Local Tax Serv. Cal. Par. 13232, wherein we held that Appellant had failed to carry the burden of showing that the bonus payments made in 1950 and 1951 were reasonable compensation for the services rendered by Steele and the Allens. It appears that the case before us does not differ in any material respect from that which we have already decided, save for an increase in the 1953 bonuses. Appellant has not attempted to distinguish our prior decision, or to offer any additional evidence; it has made substantially the same arguments that were earlier rejected by us. Accordingly, we hold that our opinion in the Appeal of Consolidated Copperstate Lines, supra, is dispositive of the question before us.

O R D E R

Pursuant to the views expressed in the opinion of the Board on file in this proceeding, and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to Section 25667 of the Revenue and Taxation Code, that the action of the Franchise Tax Board on the protests of Consolidated Copperstate Lines against proposed assessments of additional franchise tax in the amounts of \$1,288.46 and \$1,792.36 for the income years 1952 and 1953, respectively, be and the same is hereby sustained.

Done at Sacramento, California, this 19th day of December, 1962, by the State Board of Equalization.

\_\_\_\_\_, Chairman  
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John W. Lynch, Member  
\_\_\_\_\_  
Paul R. Leake, Member  
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Richard Nevins, Member  
\_\_\_\_\_, Member

ATTEST: Dixwell L. Pierce, Secretary